

S
378.106
L72MCCF
1978

STATE OF MONTANA

MILES COMMUNITY COLLEGE

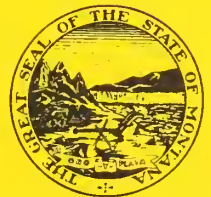
Financial Statements and Report of the National
Direct Student Loan, College Work-Study and
Supplemental Educational Opportunity Grants Program

Fiscal Year Ended June 30, 1978

STATE DOCUMENTS COLLECTION

1978 2003

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

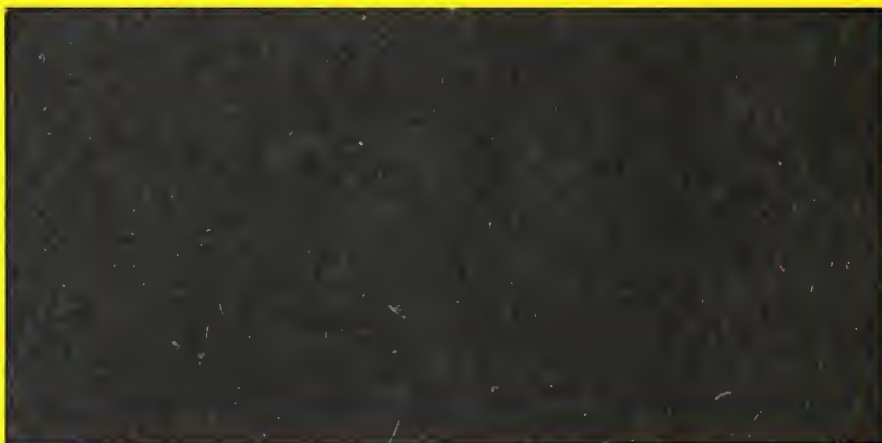


OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
STATE CAPITOL • HELENA

Montana State Library



3 0864 1003 5667 7



STATE OF MONTANA

MILES COMMUNITY COLLEGE

Financial Statements and Report of the National
Direct Student Loan, College Work-Study and
Supplemental Educational Opportunity Grants Program

Fiscal Year Ended June 30, 1978

127718



Digitized by the Internet Archive
in 2012 with funding from
Montana State Library

<http://archive.org/details/milescommuncofina78mont>

STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

October 1978

DEPUTY LEGISLATIVE AUDITORS:
JOSEPH J. CALNAN
ADMINISTRATION AND
PROGRAM AUDITS

ELLEN FEAVER
FINANCIAL COMPLIANCE AND
CONTRACTED AUDITS

STAFF LEGAL COUNSEL
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Miles
Community College Financial Aids Program for the year ended June 30,
1978.

The audit was conducted by Janke and Van DeLinder, C.P.A.'s, under a
contract between the firm and our office. The comments and recommen-
dations contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Morris L. Brusett".

Morris L. Brusett, C.P.A.
Legislative Auditor

T A B L E O F C O N T E N T S

1	Part I - Introduction
1	Background
	National Direct Student Loan Program
	College Work-Study Program
	Supplemental Educational Opportunity Grants Program
2	Scope of Audit
3	Part II - Highlights of Audit Results
	Part III - Financial
4/5	Auditors' Report on Financial Statements and Schedules
6/15	Exhibits, Notes to Financial Statements, and Schedules
	Findings and Recommendations - Financial
16	A. National Direct Student Loan Program
17	Grantee's Reaction to Findings and Recommendations - Financial
18/19	Part IV - Auditors' Conclusions on Internal Accounting and Administrative Controls and Compliance Information
	Findings and Recommendations - Compliance and Internal Accounting and Administrative Controls
20	A. National Direct Student Loan Program
20	B. College Work-Study Program
20/21	C. All Programs
22	Grantee's Reactions to Findings and Recommendations - Compliance and Internal Accounting and Administrative Controls
23	Part V - Prior Audit Reports

Part I - Introduction

The period covered by the audit of the National Direct Student Loan, College Work-Study, and Supplemental Educational Opportunity Grants financial aid programs at Miles Community College in Miles City, Montana, is from July 1, 1977, through June 30, 1978. Its objective is to determine that the Programs' funds are properly accounted for and are used only for those purposes set forth in the May 1976 audit guide prescribed by the Department of Health, Education and Welfare Audit Agency.

Awarding of financial aid was under the direction of Steve Maier, Financial Aid Officer.

Background

National Direct Student Loan Program

The National Direct Student Loan Program at Miles Community College was established in 1971. Funds in the amount of \$75,104 have been advanced to 121 students. Of loans receivable in the repayment status, approximately 51.21% of total loans and 28.10% of principal payments are in arrears 121 days or more.

College Work-Study Program

The College Work-Study Program at Miles Community College was established in 1966. During the year ended June 30, 1978, total dollar value of Federal and Institutional expenditures under the program during the year totaled \$13,523. During the current year, 34 students participated in the program.

Supplemental Educational Opportunity Grants Program

The Supplemental Educational Opportunity Grants Program at Miles Community College was established in 1973. Federal expenditures under the program during the year ended June 30, 1978 totaled \$26,159 with 47 students receiving aid under this program.

Scope of Audit

Our audit of the National Direct Student Loan Program, College Work-Study Program and Supplemental Educational Opportunity Grants Program was performed in accordance with "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General in June 1972 (1974 reprint) and the audit guide prescribed by the Department of Health, Education and Welfare dated May 1976. The purpose of the audit was to formulate an opinion on the basic financial statements as a whole and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and OE directives. The review included:

1. Evaluation of the Institutions' policies, procedures, and practices used to administer the programs.
2. Determination of compliance with applicable sections of the acts, related Federal regulations, and Office of Education policies and procedures.
3. Evaluation of the Institution's systems of internal control, accounting, and reporting, and the controls maintained in the operation of and accounting for the funds provided for the programs. Also the appropriate financial statements, OE Reports, were reviewed.

As part of our review we obtained confirmation from selected students on SEOG awards, student participation in the CWS program and student NDSL loan balances. We mailed out 30 requests for confirmations to students participating in the programs. This is approximately 15% of the total number of students receiving student aid funds. We received 23 confirmation replies from the students of which 22 were correct and 1 response was not in agreement. This difference was resolved with no adjustment required to the College's accounting records. Five confirmations were not returned by the students and two were returned by the Post Office because the student had moved and left no forwarding address.

The audit covered the period July 1, 1977 through June 30, 1978, and the field work was performed during the month of July 1978 at the Institution's business and student financial aid offices.

Part II - Highlights of Audit Results

Our audit disclosed that the Institution had generally administered its student aid programs (CWS, SEOG, and NDSL) in a satisfactory manner and in accordance with the DHEW Federal regulations and directives pertaining to the above named programs. However, certain areas of the Institution's management of student aid programs were in need of improvement, specifically: (1) more attention should be given to the delinquent NDSL loan accounts, including implementation of adequate collection procedures; (2) the Institution has not implemented the self-evaluation system developed by the Office of Education to assist in monitoring and evaluating the programs to ensure that the programs are being operated effectively; (3) written documentation in determining a student's financial aid need should be improved. These matters are discussed more fully under the "Findings and Recommendations" sections of this report, see pages 16, 20, and 21. As to our opinion on the financial statements and schedules, see pages 4 and 5. The Institution agreed to improve its collection procedures and written documentation and to implement a self-evaluation system.

JANKE AND VAN DELINDER



CERTIFIED PUBLIC ACCOUNTANTS

JAMES N. JANKE, CPA
DALLAS W. VAN DELINDER, CPA
DARRELL E. EHRLICK, CPA

Part III - Financial

Auditors' Report on Financial Statements and Schedules

Miles Community College
Miles City,
Montana

We have examined the balance sheets of the National Direct Student Loan (NDSL), College Work-Study (CWS), and Supplemental Educational Opportunity Grants (SEOG) Programs of Miles Community College as of June 30, 1978, and the related statements of changes in fund balances for the year then ended. Our examination was made in accordance with the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued in June 1972 (1974 reprint) by the Comptroller General (GAO), applicable to examinations of financial operations and reviews of compliance with applicable laws and regulations, and with the audit requirements set forth in the audit guide issued by the Department of Health, Education and Welfare dated May 1976 and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine cumulative information for the period from July 1, 1971 through June 30, 1977 presented in the statement of changes in fund balances and in the supplemental schedule of student loans receivable. Capital contributions made prior to July 1, 1977 and included in the statement of changes in fund balances represent 89% of total capital contributions made through June 30, 1978. Funds advanced to students prior to July 1, 1977 and included in the supplemental schedule represent 85% of total advances made through June 30, 1978. These cumulative figures were examined by other auditors, whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the activity prior to July 1, 1977 and included in the aforementioned statement and schedule, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of other auditors, the financial statements referred to above present fairly the financial position of the NDSL, CWS, and SEOG Programs of Miles Community College at June 30, 1978, and the changes in their fund balances for the year then ended,

Miles Community College
Miles City, Montana
Page 2
Part III - Financial
Auditors' Report on Financial Statements and Schedules

in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the recognition of an allowance for doubtful loans as described in Note 2 to the financial statements have been applied on a basis consistent with that of the preceding year.

Our examination was made primarily for the purpose of formulating an opinion on the basic financial statements taken as a whole. The supplemental information contained in Schedules 1 and 2 of this report, although not considered necessary for fair presentation of financial position and changes in fund balances, is presented for supplementary analysis purposes. The information contained in Schedules 1 and 2 except for the cumulative information in Schedule 1, was subjected to the same auditing procedures applied in our examination of the basic financial statements, and is, in our opinion, fairly stated in all material respects only when considered in conjunction with the financial statements of the NDSL Program (Exhibits A and A-1) taken as a whole.

July 24, 1978

James J. H. H. H.

MILES COMMUNITY COLLEGE
 Miles City, Montana
 National Direct Student Loan Program
Balance Sheet
 June 30, 1978

Exhibit A

ASSETS

Cash on hand and in depository	\$ <u>19,648</u>
Student loans receivable - Schedule 1	51,305
Less allowance for doubtful accounts - Note 2	<u>(9,168)</u>
Net student loans receivable	<u>42,137</u>
Total assets	<u><u>61,785</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

Funds payable to Institution	<u>453</u>
Total liabilities	<u>453</u>

Fund Balances (Deficit):

Capital:

Federal contribution:

Authorized	65,661
Repaid	<u>-0-</u>
Balance	<u>65,661</u>

Institutional contribution:

Authorized	7,296
Repaid	<u>-0-</u>
Balance	<u>7,296</u>

Noncapital (Deficit) - Exhibit A-1	<u>(11,625)</u>
Total fund balances	<u>61,332</u>
Total liabilities and fund balances	<u><u>61,785</u></u>

See Notes to Financial Statements.

MILES COMMUNITY COLLEGE

Miles City, Montana

National Direct Student Loan Fund

Statement of Changes in Fund Balance

Exhibit A-1

For the Year Ended June 30, 1978

and the Period July 1, 1971 through June 30, 1978

	Cumulative For the Period 7/1/71 thru 6/30/78		For the Period 7/1/77 thru 6/30/78	
	Per <u>OE Report</u>	As <u>Adjusted</u>	Per Inst. <u>Records</u>	As <u>Adjusted</u>
Non-Capital Fund Balance:				
Additions:				
Interest on loans - collected	\$ 1,581	\$ 1,581	\$ 458	\$ 458
Interest on loans - cancelled	19	19	18	18
Reimbursement on loans cancelled	76	76	76	76
Total additions	<u>1,676</u>	<u>1,676</u>	<u>552</u>	<u>552</u>
Deductions:				
Loan principal and interest cancelled:				
Teaching service	76	76	-0-	-0-
Bankruptcy	<u>1,462</u>	<u>1,462</u>	<u>1,462</u>	<u>1,462</u>
Total	<u>1,538</u>	<u>1,538</u>	<u>1,462</u>	<u>1,462</u>
Administrative expense	2,367	2,367	453	453
Other collection costs	228	228	25	25
Provision for doubtful loans - Note 2	<u>-0-</u>	<u>9,168</u>	<u>-0-</u>	<u>9,168</u> (2)
Total deductions	<u>4,133</u>	<u>13,301</u>	<u>1,940</u>	<u>11,108</u>
Net (decrease) for the period	(2,457)	(11,625)	(1,388)	(10,556)
Fund balance beginning of period - Note 2	<u>-0-</u>	<u>-0-</u>	<u>(1,069)</u>	<u>(1,069)</u>
Non-capital fund balance, June 30, 1978	<u>(2,457)</u>	<u>(11,625)</u>	<u>(2,457)</u>	<u>(11,625)</u>

See Notes to Financial Statements.

MILES COMMUNITY COLLEGE

Miles City, Montana

National Direct Student Loan Fund

Statement of Changes in Fund Balance - continued

Exhibit A-1

For the Year Ended June 30, 1978

and the Period July 1, 1971 through June 30, 1978

Capital Fund Balances:

	C O N T R I B U T I O N			
	<u>Federal</u>	<u>Institutional</u>	<u>Federal</u>	<u>Institutional</u>
Fund balance, beginning of period	\$ -0-	\$ -0-	\$ 56,926	\$ 6,325
Add authorized contributions	65,661	7,296	8,735	971
Deduct amounts repaid	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balance, June 30, 1978	<u>65,661</u>	<u>7,296</u>	<u>65,661</u>	<u>7,296</u>

Notes:

- (1) Except for the amount reported for the allowance for doubtful loans, the amounts reported on the Statement of Changes in Fund Balance for the NDSL Program agree with the amounts reported on the Office of Education Fiscal Report.
- (2) Provision for doubtful loans of \$9,168 is included for financial reporting but is not included on OE Report or the Institution's records.

See Notes to Financial Statements.

MILES COMMUNITY COLLEGE
Miles City, Montana
College Work-Study Program
Balance Sheet
June 30, 1978

Exhibit B

ASSETS

Cash	\$ <u>46</u>
Total assets	<u><u>46</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	-0-
Fund balance	<u>46</u>
Total liabilities and fund balance	<u><u>46</u></u>

See Notes to Financial Statements.

MILES COMMUNITY COLLEGE
Miles City, Montana
College Work-Study Program
Statement of Changes in Fund Balance
For the Year Ended June 30, 1978

Exhibit B-1

Additions:

Total grant award authorization	\$ 13,429
---------------------------------	-----------

Deduct:

Amount of grant award not requested or deposited	<u>2,469</u>
--------------------------------------------------	--------------

Balance - Funds provided by Federal Government	10,960
------------------------------------------------	--------

Add - Funds provided by Institution	<u>2,609</u>
-------------------------------------	--------------

Total funds provided	<u>13,569</u>
----------------------	---------------

Deductions:

Wages:

On campus:

Federal share	\$ 10,394	
Institution share	<u>2,609</u>	13,003

Administrative expense		<u>520</u>
------------------------	--	------------

Total		<u>13,523</u>
-------	--	---------------

Net increase for the year	46
---------------------------	----

Fund balance, beginning of year	<u>-0-</u>
---------------------------------	------------

Fund balance, end of year	<u><u>46</u></u>
---------------------------	------------------

Note:

The amounts reported on the Statement of Changes in Fund Balance for the CWS Program agree with the amounts reported on the Office of Education Fiscal Report.

MILES COMMUNITY COLLEGE
Miles City, Montana
Supplemental Educational Opportunity Grants Program
Balance Sheet
June 30, 1978

Exhibit C

ASSETS

Cash	\$ <u>281</u>
Total assets	<u><u>281</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	-0-
Fund balance	<u>281</u>
Total liabilities and fund balance	<u><u>281</u></u>

See Notes to Financial Statements.

MILES COMMUNITY COLLEGE
Miles City Montana
Supplemental Educational Opportunity Grants Program
Statement of Changes in Fund Balance
For the Year Ended June 30, 1978

Exhibit C-1

Additions:

Total grant award authorization	\$ 29,722
---------------------------------	-----------

Deduct:

Amount of grant award not requested or deposited	<u>4,844</u>
--------------------------------------------------	--------------

Balance - Funds provided by Federal Government	24,878
------------------------------------------------	--------

Deductions:

Initial awards	\$ 16,082	
Continuing awards	9,071	
Administrative expense	<u>1,006</u>	
Total		<u>26,159</u>

(Decrease) during the year	(1,281)
----------------------------	---------

Fund balance, beginning of year	<u>1,562</u>
---------------------------------	--------------

Fund balance, end of year	<u><u>281</u></u>
---------------------------	-------------------

Note:

The amounts reported on the Statement of Changes in Fund Balance for the SEOG Program agree with the amounts reported on the Office of Education Fiscal Report.

See Notes to Financial Statements.

MILES COMMUNITY COLLEGE
Miles City, Montana
Notes to Financial Statements
June 30, 1978

Note 1: Summary of Significant Accounting Policies

The financial statements of the NDSL, CWS, and SEOG Programs at the College have been prepared in accordance with generally accepted accounting principles and provide for use of the accrual basis of accounting. Except as described in the following paragraph, generally accepted accounting principles are in agreement with the accounting practices prescribed for such programs by the Department of Health, Education and Welfare in the Terms of Agreement and Office of Education (OE) fiscal control and fund accounting procedures.

The prescribed practices for the NDSL Program do not provide for accrual of interest on student loans receivable or for a provision of allowance for doubtful loans. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are cancelled or written off in conformity with NDSL Program requirements. These practices do not conform with generally accepted accounting principles.

In order to fully disclose the financial position of the NDSL loan fund, an allowance for doubtful loans is included in the financial statements. The accrued interest at June 30, 1978 is not material relative to total assets and, accordingly, is not recorded in the financial statements. The allowance for doubtful loans is not included in the data submitted to OE on the Fiscal-Operation Report for the NDSL Program.

Note 2: Change in Accounting Principle

An allowance for doubtful loans totalling \$9,168 is included in the financial statements of the NDSL Program for the year ended June 30, 1978. Previously, the allowance had not been recognized in the financial statements. If the allowance for doubtful loans had been recognized in prior years total assets and the non-capital fund balance would have been reduced by \$4,218 at June 30, 1977.

MILES COMMUNITY COLLEGE
Miles City, Montana
National Direct Student Loan Program
Analysis of Student Loans Receivable
For the Year Ended June 30, 1978
and the Period July 1, 1971 through June 30, 1978

Schedule 1

	Cumulative For the Period 7/1/71 thru 6/30/78		For the Period 7/1/77 thru 6/30/78	
	Per OE Report	As Adjusted	Per OE Report	As Adjusted
Student loans receivable, beginning of period	\$ -0-	\$ -0-	\$ 47,554	\$ 47,554
Funds advanced to students	<u>75,104</u>	<u>75,104</u>	<u>11,325</u>	<u>11,325</u>
Total	<u>75,104</u>	<u>75,104</u>	<u>58,879</u>	<u>58,879</u>
Less credits:				
Collections	22,280	22,280	6,130	6,130
Cancellations:				
Teaching service	75	75	-0-	-0-
Bankruptcy	<u>1,444</u>	<u>1,444</u>	<u>1,444</u>	<u>1,444</u>
Total credits	<u>23,799</u>	<u>23,799</u>	<u>7,574</u>	<u>7,574</u>
Student loans receivable, June 30, 1978	<u>51,305</u>	<u>51,305</u>	<u>51,305</u>	<u>51,305</u>

MILES COMMUNITY COLLEGE
 Miles City, Montana
 National Direct Student Loan Program
Analysis of Student Loans Receivable in Repayment Status
 June 30, 1978

Schedule 2

Student Loans Receivable - From Schedule 1	\$ <u>51,305</u>
Deduct total value of loans not in repayment status:	
Student status	10,329
Grace period	9,350
Hardship deferment	750
Total	<u>20,429</u>
Total Student Loans Receivable in repayment status	<u><u>30,876</u></u>

First Computation Required - Delinquency

Rate on Total Loans Delinquent

Total loans current (120 days or less)	\$ 15,064
Total delinquent (in arrears 120 days or more)	<u><u>15,812</u></u>
Percentage of loans delinquent (15,812 ÷ 30,876)	51.21%

Second Computation Required - Delinquency

Rate on the Principal Amount Delinquent

Total amount of scheduled loan payments delinquent out of the \$15,812	\$ <u><u>8,677</u></u>
Percentage of principal payments delinquent (8,677 ÷ 30,876)	28.10%

Findings and Recommendations - Financial

A. National Direct Student Loan Program

The delinquency rate on the NDSL loans has increased over the past three years. The percentage of loans delinquent over the three years ended June 30, 1978 are as follows:

	J U N E 3 0 ,		
	<u>1976</u>	<u>1977</u>	<u>1978</u>
Delinquency rate	28.55%	31.63%	51.21%

The College is inadequately enforcing its collection policies. We recommend the College devote more attention to the delinquent loans and strictly enforce its collection procedures.

Grantee's Reaction to Findings and Recommendations - Financial

An exit conference was held with Miles Community College officials on Tuesday, September 19, 1978. Officials present were Mr. Vern Kailey, President, and Mr. Wayne Muri, Comptroller. Their reactions to our findings are as follows:

National Direct Student Loan Program

The College concurs with our findings and will attempt to pursue effective collection procedures in order to reduce the NDSL delinquency rate.

JANKE AND VAN DELINDER



CERTIFIED PUBLIC ACCOUNTANTS

JAMES N. JANKE, CPA
DALLAS W. VAN DELINDER, CPA
DARRELL E. EHRLICK, CPA

Part IV - Auditors' Conclusions on Internal Accounting
and Administrative Controls and Compliance Information

Miles Community College
Miles City,
Montana

We have examined the financial statements of the NDSL, CWS, and SEOG Programs, Miles Community College for the year ended June 30, 1978. Our opinion on the above statements is contained on pages 4 and 5 of this report. As a part of our examination, we reviewed and tested the College's system of internal accounting control to the extent we considered necessary to evaluate the system as required by "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General (GAO) in June 1972 (1974 reprint). Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

We have also made a study of those internal accounting control and administrative control procedures of Miles Community College that we considered relevant to the criteria established by the Department of Health, Education and Welfare as set forth in pages 17 through 28 of its Audit Guide issued May 1976. Our study included tests of compliance with such procedures during the period from July 1, 1977 through June 30, 1978.

The objective of internal accounting control is to provide reasonable but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand that the objective of those administrative control procedures comprehended in the Department of Health, Education and Welfare criteria is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and

Miles Community College

Miles City, Montana

Page 2

Part IV - Auditors' Conclusions on Internal Accounting
and Administrative Controls and Compliance Information

judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

We understand that procedures in conformity with the criteria referred to in the second paragraph of this report are considered by the Department of Health, Education and Welfare to be adequate for its purpose in accordance with the provisions of the Higher Education Act of 1965 and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe the Miles Community College procedures were adequate for the Department's purposes, except for the conditions described on pages 16, 20, and 21 of this report which we believe are not in conformity with the criteria referred to above.

This report is intended for use in connection with the grant to which it refers and should not be used for any other purposes.

July 24, 1978

Jack M. Delong

Findings and Recommendations - Compliance and Internal Accounting
and Administrative Controls

A. National Direct Student Loan Program

Exit Interviews

During our examination, we noted several instances in which exit interviews were not conducted with students leaving school. Exit interviews provide personal information, necessary to administer adequate collection procedures. The College should make an effort to perform exit interviews with all students.

Bankruptcy Collections

During the year ended June 30, 1978, two loans were cancelled because of bankruptcy. Documentation supporting the bankruptcy consisted of a discharge notice from the bankruptcy court. However, the notice was not notarized or signed by the Bankruptcy Judge. The College should obtain certified copies of the order from the Clerk of the U.S. District Court handling the bankruptcy.

B. College Work-Study Program

Student Compensation

Our sample of College Work-Study students revealed one student who earned more than his Work-Study award. The amount earned exceeded the grant award by \$81. The College should establish procedures to ensure that earnings of students do not exceed their awards.

C. All Programs

Self-Evaluation System

- The Office of Education has developed a suggested self-evaluation system to be used by the Institution to evaluate its practices and procedures followed in administering the Student Financial Aid Programs. No formal system has been developed by the Institution. The Institution should implement a system to provide continual monitoring of its programs' activities and to ensure that the programs are being operated in an effective, efficient, and economical manner.

Student Files

Student files do not always include proper documentation. One student file

Findings and Recommendations - Compliance and Internal Accounting
and Administrative Controls - continued

did not include a signed affidavit of educational purpose. In addition, several students' awards exceeded their need as shown by the worksheet included in the files. The files contained little or no written documentation to support the increase in the need. Although no serious discrepancies were found, we recommend that procedures be implemented to ensure that student files are complete and contain adequate information to substantiate a student's financial need. Subsequent adjustments to a student's financial need should also be documented.

Grantee's Reactions to Findings and Recommendations - Compliance
and Internal Accounting and Administrative Controls

An exit conference was held with Miles Community College officials on Tuesday, September 19, 1978. Officials present were Mr. Vern Kailey, President, and Mr. Wayne Muri, Comptroller. Their reactions to our findings are as follows:

National Direct Student Loan Program

Exit Interviews

The College concurs with our recommendation and will attempt to conduct exit interviews with students leaving school.

Bankruptcy Cancellations

The College concurs with our recommendation and will obtain certified copies of the bankruptcy order to substantiate bankruptcy cancellations.

College Work-Study Program

Student Compensation

The College concurs with our recommendation and will establish procedures to ensure that earnings of work-study students do not exceed their award.

All Programs

Self-Evaluation System

The College concurs with our recommendation and will implement a system to evaluate the effectiveness of the Programs.

Student Files

The College concurs with our recommendation and will attempt to include all required information in student files.

Part V - Prior Audit Reports

The most recent audit was conducted by Rowland Thomas & Company of Miles City, Montana, and covered the period July 1, 1976 through June 30, 1977. Our comments regarding their findings are as follows:

A. Financial

Although the prior auditor had several comments in this section of his report, none of the comments appear to require corrective action by the College.

B. Compliance and Internal Control

1. Several student files were deficient with regard to award letters. Some award letters were not signed by the student. This did not appear to be a problem during the year ended June 30, 1977.
2. A promissory note was not in agreement with the actual funds disbursed to the student. Payments by the students were not posted to the notes. During the year ended June 30, 1978 we did not find any promissory notes that differed from the actual amount disbursed to the student. The College did not post student payments to the promissory notes for the year ended June 30, 1978. However, we do not feel this is necessary because the College's detail accounting records provide current individual loan balances.
3. One instance was noted where student received SEOG funds during one period and matching funds in another period. This did not appear to be a problem during the year ended June 30, 1978.
4. The auditors' comments pertained to confirmation of student participation in the financial aid programs. The comments appear to be for informational purposes only and accordingly no corrective action is necessary.
5. The auditors stressed the importance of complete student files and documentation therein. Further attention must be given to delinquent loan accounts, including exit interviews and collection procedures. This continues to be a problem. See comments at page 20.

